

**Subcommittee
on
Livestock and Foreign Agriculture**

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Testimony of Mr. Paul Wenger

The Next Farm Bill: International Market Development

Good afternoon, Mr. Chairman and Members of the Committee. Thank you for the opportunity to testify on the trade title of the Farm Bill.

I am Paul Wenger, the president of California Farm Bureau Federation. I am also a third-generation almond farmer and a member of Blue Diamond Growers.

The California Farm Bureau Federation is a state-wide non-profit organization representing 53 counties that include over 28,000 producers of more than 400 commodities. For nearly a century, Farm Bureau has worked to preserve, protect and promote family farms and ranches.

Like the California Farm Bureau Federation, Blue Diamond Growers has a more than 100 year history of serving California almond farmers. Blue Diamond is a non-profit, farmer-owned marketing cooperative owned by over half of the almond growers in California. It is also the world's largest processor and marketer of almonds.

The almond industry is particularly relevant for today's hearing as over eighty percent of the world's almonds are grown in California, and almonds are the largest agricultural export from the state. Blue Diamond exports almonds and almond ingredients to more than 90 countries. Overall, the almond industry contributes \$11 billion to California's economy creating over 100,000 jobs in the state, as well as more than 37,000 export related jobs.

As discussion of the new Farm Bill begins, I will share the positive impact three of the programs in the bill's trade title have on California farmers and ranchers.

Market Access Program (MAP)

I would like to begin with the Market Access Program. This program is overseen by USDA's Foreign Agricultural Service, (FAS). Its purpose is to expand agricultural export markets overseas. Agricultural exports are critical to the American economy. According to USDA's Economic Research Service (ERS), in 2014 agricultural exports produced a total of \$340 billion

in economic output. Those exports supported 1.1 million full time U.S. civilian jobs. Approximately 800,000 of the jobs were non-farm sector. Consequently, for every \$1 billion of agricultural export revenue there are 7,550 jobs (<https://www.ers.usda.gov/data-products/agricultural-trade-multipliers/2014-data-overview.aspx>).

Over the years, we have seen extremely successful results from the Market Access Program. A recent study by Informa Economics IEG, working with Texas A&M University and Oregon State University economists, showed a return of \$28 in export gains for every one dollar spent on export promotion programs. The study also showed an average annual increase in farm income of \$2.1 billion resulting from the Market Access Program activities. In addition to the high return rate and the increase in farm income, the program resulted in the creation of 239,000 new full and part-time jobs (<http://www.uswheat.org/newsMeetings/emd-1a>).

Many commodities in California benefit from the Market Access Program, including but not limited to dairy, pistachios, cherries, peaches, table grapes, pears, prunes, strawberries, cotton, rice, wine, citrus, and walnuts. The program ensures that these and other participating commodities can, on a cost-share basis, achieve maximum opportunity when marketed overseas.

While I could share details of each California commodity benefiting from the Market Access Program, as an almond grower, I will comment today on how Blue Diamond utilizes Market Access Program funds provided by the 2014 Farm Bill to improve international demand for domestically produced almonds. These efforts continue to offer a destination for the almonds I produce. They support U.S. jobs by improving U.S. economic output. (Please see Exhibit A for Blue Diamond Growers Market Access Program success stories).

In my written testimony submission, I have included as an exhibit six specific success stories documenting recent examples of where the Market Access Program has been used effectively to build consumer demand and preference for Blue Diamond almonds. Let me briefly highlight a couple of these just to give you a sense of how these funds are being utilized.

In Canada last year, Blue Diamond used Market Access Program funds to partner with a large retailer to stock for the first time North American labeled almond product at six of the chain's large supermarket locations in the greater Vancouver region. A 2-day in-store sampling program was conducted which focused on Blue Diamond's superior taste consistency, high quality, and nutritious attributes. During the demo week alone, the supermarket sold 60 percent of the initial product cases purchased. As sampling programs continue at this new account, Blue Diamond anticipates even greater purchase quantities and sales figures.

In another case, during the period May-June 2016, Blue Diamond conducted an in-store marketing campaign for snack almonds at 960 7-Eleven outlets in Hong Kong. This promotion targeted health conscious consumers seeking a nutritious and convenient snack that is ideal for active kids and families. Using Market Access Program funds, Blue Diamond supported development of creative advertising materials and off-shelf product positioning with acrylic racks. The promotions also highlighted that Blue Diamond snack almonds are a great accompaniment for watching summer soccer games and other popular sporting events. By locating Blue Diamond products off-shelf, the promotion reached new consumers and generated

additional brand awareness and interest. This effort generated a significant increase in sales, achieving twice the average sales per month compared to the prior period.

As you can see, the efforts of just one Market Access Program participant are generating solid results. Blue Diamond has a successful track record of launching new and innovative almond products in markets around the world, leading the development of new sources of revenue for thousands of U.S. almond growers. These funds remain an essential part of this strategy, supporting Blue Diamond to establish critical footholds in new markets. Blue Diamond will continue to rely on the Market Access Program funds to support successful product launches through strategic product campaigns.

The 21st century global market remains an extremely challenging one. Markets do not open, build and sustain themselves. Consumer awareness, acceptance and preferences do not just happen. The target is a continually moving one. Success in establishing and growing markets for U.S. agricultural products is best achieved through focused and coordinated efforts by all involved parties with a stake in achieving success. This most certainly includes the critically important partnership of the U.S. government and U.S. agricultural stakeholders. You can be assured that America's competitors in the global market place are approaching the challenge in a similar manner. For example, a 2016 study showed that the European Union allocates \$255 million annually for the promotion of wine alone. This is more than the total amount we allocate for all U.S. agricultural commodities.

The Market Access Program is a model of innovative and effective government-industry partnership. The synergies produced through the program are compelling and well-documented. In today's increasingly challenging environment for America's farmers and ranchers, the need for expanding the program has never been greater. Currently, the program receives \$200 million in funding. Blue Diamond is asking for an increase to \$400 million in funding and Farm Bureau also supports an increase. The last increase in Market Access Program funds occurred in the 2002 Farm Bill reaching the current level of funding in 2006. (For additional success stories please see: <http://www.agexportscount.com/value-of-ag-exports/>).

The Technical Assistance for Specialty Crops (TASC) Program

Another USDA program that has significantly benefitted U.S. specialty crop producers, including almond growers, is the Technical Assistance for Specialty Crops program, or TASC. Currently funded at \$9 million annually, TASC provides grants to eligible U.S. organizations to address sanitary, phytosanitary, and technical barriers in targeted foreign countries that prohibit, constrain, or threaten market access for U.S. specialty crops.

USDA's Foreign Agricultural Service reviews TASC proposals on a competitive basis, approving those that both meet the program's requirements and clearly demonstrate how the activity will address and resolve the identified barrier or constraint. Awards are for a maximum of \$500,000 per year and for projects of up to five years. These funds help support such critical activities as pest and disease research, technical exchanges, field trials and pre-clearance programs, all with a view to resolve trade barriers and expand U.S. exports of specialty crops.

Blue Diamond used this program for the almond industry to obtain technical assistance to obtain reinstatement of the Indian Government's previous approval of the use of Phosphine as an acceptable fumigant for almonds. \$80,000 was approved for this and a successful result was obtained. This is our industry's second largest market, after Spain. The U.S. Census Bureau data reports that U.S. almond exports to India were valued at over \$490 million in 2016. Last year, the California almond industry again utilized TASC to support exchanges with key Government of India officials aimed at raising awareness and understanding of supply channel practices, and labeling, certification, and export procedures.

TASC is yet another example of how the industry-government partnership can be effectively leveraged to the benefit of America's farmers, and the U.S. economy.

Foreign Market Development Program (FMD)

The third program is the Foreign Market Development Program (FMD). FMD benefits the U.S. economy and creates jobs by assisting US farmers, processors, and exporters in developing new foreign markets and increasing market share in existing markets. The program focuses on generic U.S. commodities and lays the groundwork for commercial sales by establishing long-term relationships.

These efforts under FMD might include such activities as addressing infrastructure constraints, modifying codes or standards, and identifying new end-uses for the commodity or product.

The partnership between USDA and industry participants under the FMD program has proven to be an effective component in the overall trade development toolbox.

In closing, agricultural exports are vital to preserving, protecting, and promoting California agriculture, accounting for over \$20 billion in value out of the state's \$47 billion in production. The trade title of the Farm Bill should continue to provide these essential trade-promoting programs.

Thank you very much for allowing me to testify today on this very important subject. I will be pleased to answer any questions that you may have.

Respectfully Submitted,

Paul Wenger

Exhibit A

1. Blue Diamond Growers Gain Retail Distribution for Flavored Snack Nuts in Canada

In 2016, Blue Diamond used Market Access Program funds to support in-store sampling demonstrations at grocery retailers throughout Canada. As a core part of Blue Diamond's strategy in Canada, in-store sampling allows shoppers at major retail chains to taste Blue Diamond's flavored snack nut products while receiving literature and information about the Blue Diamond brand, as well as the premium, value-added almond products. This has a significant impact on convincing consumers to become regular almond consumers, and provides strong sales to major retail partners. Furthermore, Market Access Program activities in 2016 continue to be an essential support for Blue Diamond in Canada where difficult price increases and limited expansion due to rising commodity prices proved challenging during the prior year. In-store sampling programs are a cost-effective activity that positively impact distribution and consumer awareness. In this way, Market Access Program funds remain vital to Blue Diamond's efforts in Canada to increase visibility, generate consumer trial and purchase for snack nuts, and maintain and expand key retail account listings.

Blue Diamond's in-store sampling demonstrations have already generated good returns this year. T&T Supermarkets in Western Canada is a new retail account listing for Blue Diamond in 2016, where Blue Diamond flavored snack nuts are the first North American labeled almond product stocked at six of their large supermarket locations in the greater Vancouver region. T&T Supermarkets caters to a predominantly Asian customer base, representing a new opportunity for Blue Diamond to expand. During the last week of May, Blue Diamond conducted a 2-day in-store sampling program at all six T&T Supermarket locations featuring three different flavors of Blue Diamond's signature snack almonds. Point of Sale (POS) materials were visible at each store, and brand literature highlighting Blue Diamond's superior taste consistency, high quality, and nutritious attributes were distributed to shoppers. During the demo week alone, T&T sold 60% of the initial product cases purchased. Since the promotion, T&T Supermarkets have purchased an additional 55% of product for regular sales. As sampling programs continue at this new account, Blue Diamond anticipates even greater purchase quantities and sales figures. Market Access Program funds remain an essential foothold for Blue Diamond in this market, where Blue Diamond is consistently seeking to expand market opportunities and reach new customer demographics. Furthermore, these activities support increased product recognition, ensuring good returns for all U.S. almond growers.

2. MAP Funds Support Blue Diamond Promotion at 7-Eleven Stores in Hong Kong

To encourage increased consumption of snack almonds during the pre-summer period in Hong Kong, Blue Diamond conducted an in-store marketing campaign at 960 7-Eleven outlets from mid-May through June, 2016. The widespread convenience store promotion targeted health conscious consumers seeking a nutritious and convenient snack that is ideal for active kids and families. Using Market Access Program funds, Blue Diamond supported development of creative advertising materials and off-shelf product positioning with acrylic racks. The promotions also highlighted that Blue Diamond snack almonds are a great accompaniment for watching summer soccer games and other popular sporting events. By locating Blue Diamond products off-shelf,

the promotion was able to reach new consumers and generate additional brand awareness and interest.

Blue Diamond's aggressive advertising and eye-catching Point of Purchase materials allowed for a successful increase in sales, achieving twice the average sales per month compared to the prior period. This was despite an overall weak sales environment seen throughout the rest of the retail sector in Hong Kong. Market Access Program funds played a critical part in supporting the success of this promotion, ultimately enabling a key C-store retailer in the market, 7-Eleven, to remain confident in the profitability of the Blue Diamond brand and products. Through Market Access Program funds, Blue Diamond is able to conduct targeted promotions with important retailers, supporting continued distribution and consumption in the market.

3. MAP Funds Support Blue Diamond Social Media Campaign in Japan

In 2016, Blue Diamond utilized Market Access Program funds to support targeted social media promotions for the beverage Almond Breeze in Japan. Blue Diamond launched Original and Unsweetened Almond Breeze in Japan in 2013. In years since, Blue Diamond has conducted aggressive product and brand promotions necessary to establish and grow this new category. Moreover, Japan represents a challenging market for Almond Breeze to penetrate given the significant annual influx of new products in the beverage sector. A strong and active social media presence for Blue Diamond Almond Breeze in Japan is a key component of the marketing strategy. Social media sites including Facebook and Instagram are widely used by Blue Diamond's target consumers and act as a hub for raising brand awareness, educating on product use in recipes, directing users to the Blue Diamond website, and allowing consumers to interact and provide feedback to posted content. Blue Diamond Japan posts weekly updates of recipes and photos, along with messaging around healthy and active lifestyles to target key consumer groups.

So far in 2016, Blue Diamond has achieved 42% aided awareness among social media users through this platform, with a target goal of achieving 50% awareness by the end of the year. Heightened awareness on social media continues to support strong sales. Overall, Blue Diamond Almond Breeze now holds around 45% market share in Japan; sales in 2015 were up 102% for Almond Breeze over 2014; and projected sales for Almond Breeze over the next five-year period are anticipated to average 40% growth annually. Given that the brand was only introduced three years prior, Blue Diamond is making positive gains in a difficult market. Future promotions and social media activity that build on this momentum are critical to ensure long-term market success. Furthermore, Blue Diamond is leading the development and growth of an entire new product category—Almond Breeze—and providing a new source of sales and revenue for the U.S. almond industry. As such, the support of Market Access Program funding remains an important foothold for Blue Diamond and U.S. almonds in Japan.

4. Blue Diamond Growers Sees Increased Sales for Almond Breeze in the United Kingdom

Blue Diamond utilizes Market Access Program funds to support key product launches in new markets around the globe. In 2012, the United Kingdom (UK) was one of the first international

markets where Blue Diamond launched their Almond Breeze product. In the few years since launching, Almond Breeze has achieved success as both sales and distribution continue to expand. In order to differentiate product, Blue Diamond's marketing and promotions in 2016 prominently emphasize that Blue Diamond is based in the US and grows all their own almonds used to make Almond Breeze products. This message highlights Blue Diamond as the "almond experts," and allows consumers to connect with the popular "farm-to-table" trend. This marketing message is communicated through a comprehensive, multimedia marketing campaign in the UK that includes print and online advertising, active social media (Instagram and Facebook), blogger partnerships, in-store demonstrations, and trade show participation.

As of May 2016, sales for Almond Breeze in the UK are tracking at 44% higher than the same month in 2015. Similarly, overall category growth in the UK has expanded by 47% over the last 52 weeks, indicating further opportunity for additional sales growth going forward. In light of the trending success with Original and Unsweetened Almond Breeze, Blue Diamond utilized Market Access Program funds to support the launch of the new product, Almond Breeze Barista Blend, an almond beverage formulated specifically for use in coffee beverages. Barista Blend premiered at the London Trade Show for Foodservice, a key event for the café and foodservice sector in the market. Barista Blend will continue to be targeted towards both the foodservice and consumer sectors. By launching new and innovative products in international markets, Blue Diamond remains committed to opening and developing new sources of product revenue for the entire U.S. almond industry.

5. Blue Diamond Growers Sees Early Success for Almond Breeze in Finland with Support from Advertising and Blog Campaigns

Blue Diamond launched Almond Breeze in Finland during 2015. To ensure a successful first year, in 2016 Blue Diamond continued to utilize Market Access Program funds to support print and online advertising, as well as important blogger partnerships. These outlets continue to be extremely effective in promoting Almond Breeze products available in the market—Original, Unsweetened, and Barista Blend. Blue Diamond's marketing program for Almond Breeze in Finland targets and appeals to female consumers aged 20+ as a nutritious, flavorful, and versatile almond beverage, ideal for use in coffee beverages, smoothies, cooking recipes, and on its own. By securing consistent almond product awareness and coverage through advertising and blogger features on popular fashion and lifestyle platforms, Blue Diamond is successfully reaching their target market.

During 2016, Market Access Program funds supported the development and placement of half-page, color print advertisements with nine different Finnish fashion, fitness, and lifestyle magazines. Ads highlighted the health benefits of Almond Breeze Unsweetened—a naturally light almond beverage containing calcium, while also naturally free of gluten, dairy, lactose, and soy. Additionally, two of Finland's leading online fashion and lifestyle blog sites—Lily.fi and Mona's Daily Style—have each featured the newest product, Almond Breeze Barista Blend, in their blog content with various recipes. Almond Breeze Barista Blend photos and blogger reviews remain active on both sites. Finland has witnessed a surge in home-barista trends, so the timing of Blue Diamond's Almond Breeze Barista Blend launch, supported through coordinated print and online promotions, has provided Blue Diamond with ample opportunity to capture

additional market share. In fact, Barista Blend has already expanded distribution significantly, covering both foodservice and the traditional grocery aisle. Sales for Barista Blend are now on-par with Blue Diamond's second-leading product, Almond Breeze Original, which is up 67% in sales and 24% in distribution over the year prior. Almond Breeze Unsweetened remains the leading Blue Diamond product in the Finnish market, with sales up 80% and distribution up 59% over the year prior.

6. MAP Funds Support Blue Diamond Branded Caravan Promoting Almond Breeze throughout Japan

In June 2016, Blue Diamond utilized Market Access Program funds to support the Almond Breeze caravan tour promoting Almond Breeze throughout Japan. This marks the third year that Almond Breeze has utilized a branded caravan in Japan to conduct outreach to consumers. The branded caravan strategically visits Blue Diamond listed account retailer parking spaces, farmers markets, and other consumer events to distribute samples of Almond Breeze in smoothies, lattes, and on its own. Supplementary communication tools distributed include recipes, almond information fact sheets, and directives to visit the Almond Breeze Japan website and social media sites (Facebook and Instagram). By positioning the caravan outside of retailer and consumer food or shopping locations, and by demonstrating the use of Almond Breeze in various recipes, Blue Diamond is generating both increased awareness and consumer product trial. Additionally, the activity reinforces distribution at both listed and targeted accounts by demonstrating the success of Blue Diamond products at key retailers. Japan continues to be a large and dynamic market to penetrate, so Blue Diamond's consistent marketing efforts over the first three years there are both necessary and effective.

Blue Diamond launched Original and Unsweetened Almond Breeze in Japan in 2013 as the first such nationally supported product in the market. In years since, Blue Diamond has conducted aggressive product and brand promotions to establish and grow this new category. The Japanese market is one of the most dynamic and difficult markets to penetrate with new beverage products, and Blue Diamond has achieved early success in its first three years: Blue Diamond Almond Breeze holds around 45% market share in Japan; sales for Almond Breeze during 2015 were up 102% over 2014; and sales for Almond Breeze are projected to hit an average of 40% growth annually over the next five-year period. Part of Blue Diamond's early success with Almond Breeze can be attributed to favorable consumer trends around health and wellness, particularly among Japan's large aging population and working-age consumers who continually seek nutritional or niche dietary products to fit modern tastes and lifestyles.

Market Access Program funding remains critical to establishing Almond Breeze and expanding awareness of U.S. almond products throughout Japan. Through the support of these promotional activities, Japanese consumers are now consuming Almond Breeze on a daily basis, driving exports of U.S. almonds.